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Macroeconomic policy questions: external debt sustainability and development

Thailand:* draft resolution

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009, 65/144 of 20 December 2010, 66/189 of 22 December 2011, 67/198 of 21 December 2012, 68/202 of 20 December 2013, 69/207 of 19 December 2014 and 70/190 of 20 December 2015,

Recalling also its resolution 69/319 of 10 September 2015, entitled "Basic Principles on Sovereign Debt Restructuring Processes",

Reaffirming its resolution 70/1 of 25 September 2015, entitled "Transforming our world: the 2030 Agenda for Sustainable Development", in which it adopted a comprehensive, far-reaching and people-centred set of universal and transformative Sustainable Development Goals and targets, its commitment to working tirelessly for the full implementation of the Agenda by 2030, its recognition that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development, its commitment to achieving sustainable development in its three dimensions — economic, social and environmental — in a balanced and integrated manner, and to building upon the achievements of the Millennium Development Goals and seeking to address their unfinished business,

Reaffirming also its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

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Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and to create an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[1]

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve the Sustainable Development Goals, and acknowledging that debt crises are costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting the poor and vulnerable in particular,

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, is central to the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as volatile commodity and energy prices and international capital flows, should continue to be taken into account in debt sustainability analyses,

Expressing concern about the adverse impact of the continuing fragility and slowdown of global growth and trade, including on development, cognizant that the global economy remains in a challenging phase, with many downside risks, including negative net capital outflows to many emerging and developing economies, continued low commodity and energy prices, high unemployment, particularly among young people and rising private and public debt burdens in many developing countries, and stressing the need for continued efforts to address systemic fragilities and imbalances and to reform and strengthen the international financial system while implementing the reforms agreed upon to date to attend to these challenges and to make progress towards sustaining and rebalancing global demand,

Recognizing the important role, on a case-by-case basis, of debt relief, including debt cancellation, as appropriate, and debt restructuring as debt crisis prevention and management tools for mitigating negative spillover effects from international market and macroeconomic instabilities,

Expressing deep concern that a number of the least developed countries, landlocked developing countries, small island developing States, African countries,

[1] Resolution 63/303, annex.

middle-income countries, countries in conflict and post-conflict situations, as well as countries under foreign occupation, face challenges in servicing their debt and that, in spite of international efforts, many developing countries are again struggling with high debt burdens and are classified, in accordance with the debt sustainability assessments, as being in debt distress or at high risk of debt distress,

1. *Takes note* of the report of the Secretary-General;[2]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries to promote their economic growth and development;

3. *Recognizes* the importance, in particular, of new and emerging challenges and vulnerabilities in regard to developing country external debt sustainability arising from structural changes to overall debt composition, the rapid growth of private sector debt in many emerging and developing countries and the growing use of new debt financing instruments and approaches;

4. *Notes* the growing concerns about fast rising corporate debt as a potential trigger of financial and debt crises, as well as growing incidences of microdebt crises;

5. *Recognizes* the enormity and multidimensional nature of the ongoing impacts of the world financial and economic crisis, which caused a sharp deterioration of the debt ratios in several developing countries, stresses the need to continue to assist developing countries in avoiding a build-up of unsustainable debt so as to reduce the risk of relapsing into another debt crisis, taking into account the challenges posed by the global environment and risks for debt sustainability in both developed and developing countries;

6. *Acknowledges* the role played by the Debt Sustainability Framework for Low-Income Countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, looks forward to the conclusion of the ongoing review of the Framework, and encourages open and transparent consultations, with the full engagement of public and private creditors and borrowers, with a view to incorporating their concerns;

7. *Reiterates* that no single indicator should be used to make definitive judgments about a country's debt sustainability, and, in view of the new challenges and vulnerabilities for developing countries' external debt sustainability, substantiated by the consistent work of the United Nations Conference on Trade and Development and recent joint analyses of the International Monetary Fund and the World Bank, stresses the need for improved data collection and quality in areas that include domestic public debt, domestic and external private debt, as well as legal and regulatory features, such as ownership, currency denomination and jurisdiction according to national priorities;

8. *Also reiterates* that timely and comprehensive data on the level and composition of debt are necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect data, further reiterates the invitation to relevant

[2] A/71/276.

institutions to consider the creation of a central data registry including information on debt restructuring, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

9. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of national public and private debt, in order to ensure the achievement of development goals, and encourages further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

10. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, the mobilization of domestic and international resources, the export prospects of debtor countries, sustainable debt management, sound macroeconomic policies that also support job creation, transparent and effective regulatory frameworks and success in overcoming structural development problems, and hence on the creation of an enabling international environment that is conducive to development, and also recognizes the need to assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief, debt restructuring and sound debt management, as appropriate;

11. *Notes with concern* that some low- and middle-income developing countries that were not part of the existing debt relief initiatives now have large debt burdens that may create constraints on mobilizing the resources needed to achieve the Sustainable Development Goals, indicating a need to consider, as appropriate, stronger debt management and debt relief initiatives for those countries, and encourages the consideration of medium- and long-term debt sustainability as well as new approaches to deal with bilateral and private non-Paris Club debt;

12. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, both public and private, contribute their fair share and become involved in the international debt resolution mechanisms in order to ensure the debt sustainability of those countries, and invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment, to the extent possible, to debtor countries that have concluded sustainable debt relief agreements with creditors;

13. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with the eradication of poverty in all its forms and dimensions, including extreme poverty, and with the promotion of sustained economic growth, economic development and the internationally agreed development goals, including the Sustainable Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards achieving those objectives, including in the context of the 2030 Agenda for Sustainable Development,[3] according to their national priorities and strategies;

[3] Resolution 70/1.

14. *Also stresses* the need for the international community to remain vigilant in monitoring the debt situation of developing countries, including the least developed countries, landlocked developing countries and small island developing States, and to continue to take effective measures, preferably within existing frameworks, when applicable, to address the debt problem of those countries, including through the cancellation of the multilateral and bilateral debt owed by the least developed countries to creditors, both public and private;

15. *Notes* that countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

16. *Acknowledges* the efforts of, and invites creditors to provide additional flexibility to, developing countries affected by natural disasters so as to allow them to address their national debt concerns, while taking into account their specific economic and social situations and needs;

17. *Underlines* the importance of multilateral efforts to tackle increasingly complex cross-border challenges that have serious effects on development and debt sustainability, such as financial market volatility and spillovers to developing countries, illicit capital and financial flows, tax evasion and tax avoidance, and sovereign debt crisis prevention and resolution;

18. *Recognizes* the role of the United Nations and of the international financial institutions, in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustained, inclusive and equitable growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

19. *Stresses* the importance of responsible sovereign lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations and must incorporate debt sustainability considerations into their financing decisions, and notes the commitment, in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development,[4] to working towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

20. *Calls* for the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments and innovative mechanisms such as debt swaps, including debt for equity in Sustainable Development Goals projects, as well as debt indexation instruments;

21. *Expresses its concern* regarding the ability of non-cooperative minority bondholders to disrupt the will of the large majority of bondholders who accept a

[4] Resolution 69/313, annex.

restructuring of a debt-crisis country's obligations, given the potential broader implications in other countries, notes legislative steps taken by certain countries to prevent these activities and encourage all Governments to take action, as appropriate, and furthermore, takes note of discussions in the United Nations on debt issues;

22. *Welcomes* the reforms to pari passu and collective action clauses proposed by the International Capital Market Association and endorsed by the International Monetary Fund to reduce the vulnerability of sovereigns to holdout creditors, encourages countries to take further action to include those clauses in all their bond issuance, and invites the International Monetary Fund to propose options for resolving the problem of dealing with the outstanding stock of debt without such clauses;

23. *Calls for* the consideration of enhanced approaches to sovereign debt restructuring and debt resolution mechanisms, based on existing frameworks and principles, with the broad participation of creditors and debtors, and for the comparable treatment of all creditors and an important role for the Bretton Woods institutions and other relevant organizations within the United Nations system, and in this regard calls upon all countries to promote and contribute to the discussions, within the United Nations and other appropriate forums, on the need for and feasibility of a more structured framework for international cooperation in this area;

24. *Encourages* the Economic and Social Council, at its annual forum on financing for development follow-up, to consider how to improve sovereign debt restructuring, taking into account the roles of the international financial institutions, including the International Monetary Fund, the United Nations Conference on Trade and Development and other relevant forums, in accordance with their respective mandates, pursuant to the relevant resolutions on this matter, including its resolution 69/313 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the mandate of the annual forum on financing for development follow-up set out therein;

25. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, calls for the continued provision of concessional and grant-based financing to developing countries, and notes the provision by the International Monetary Fund of interest relief to developing countries in the form of zero-interest rates;

26. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable upstream and downstream debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

27. *Requests* the United Nations Conference on Trade and Development and invites the International Monetary Fund and the World Bank, in cooperation with

the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability with a view to contributing to the implementation of the 2030 Agenda;

28. *Calls upon* all Member States and the United Nations system to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

29. *Requests* the Secretary-General to submit to the General Assembly, at its seventy-second session, a report on the implementation of the present resolution and to include in his report a substantive analysis of options for enhanced approaches to addressing financial stress and debt sustainability in developing countries;

30. *Decides* to include in the provisional agenda of its seventy-second session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development".